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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 0956
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0355
RUEHAK/AMEMBASSY ANKARA PRIORITY 3876
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1693
RUEHUL/AMEMBASSY SEOUL PRIORITY 0046
RUEHKO/AMEMBASSY TOKYO PRIORITY 1560
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2129
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0778
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEHVEN/USMISSION USOSCE PRIORITY 2580
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY

UNCLAS ASHGABAT 000727

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER
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E.O. 12958: N/A
TAGS: [PGOV](#) [EPET](#) [ECON](#) [ETRD](#) [IN](#) [PK](#) [AF](#) [TX](#)
SUBJECT: TURKMENISTAN: NEGOTIATIONS ON AFGHANISTAN
PIPELINE MOVE FORWARD, SLOWLY

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: High-level representatives from Turkmenistan, Afghanistan, Pakistan, and India met in Ashgabat in late May to resolve some issues that continue to stand in the way of more substantive negotiations on the envisaged Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project. The group continued to disagree on issues like pricing, but the parties all appear to be motivated to try to make the project happen, and another meeting of senior representatives will take place in July. The Turkmen have agreed to share the results of their recently-completed natural gas reserves audit with the other states when the group meets in September, so that the project's participants will be more confident that Turkmenistan will have enough gas to sell to all its customers. The negotiation process is making progress, but slowly. END SUMMARY.

13. (SBU) Poloff met June 5 with Asian Development Bank's (ADB) local representative, Aina Kekilova to hear about the results of the first technical group meeting for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project. She said that deputy oil and gas ministers from Turkmenistan, Afghanistan, and Pakistan, senior representatives from the Indian energy company GAIL, and ADB representatives attended the meeting in Ashgabat May 30-31. India's deputy minister for oil and gas was conspicuously absent.

14. (SBU) The meeting's primary purpose was to try to hammer out remaining impediments on a basic accord that would be signed by the four heads of state. The group also discussed

three subordinate documents that focused on the rights and obligations of the parties regarding transit, pricing, and mechanisms for forming a consortium. There was no discussion in this forum about the actual construction of the pipeline, which is hoped to as early as 2010. The deputy ministers signed a memorandum of understanding, basically agreeing on the parameters for continued negotiations.

15. (SBU) However, during this meeting, the Afghan delegation also gave a presentation designed to build confidence that the government of Afghanistan will be able to successfully protect the pipeline. One argument the Afghans made was that the majority of the pipeline would be located in regions of the country that have seen little conflict. The Afghan government is enthusiastic about seeing the project happen, she said. Afghanistan would receive transit fees and would benefit from the construction of a railway that is also an element of the project. Officials are also hoping the project will provide jobs for as many as 40,000 unemployed Afghans.

16. (SBU) Kekilova said that pricing was the most significant issue, because Pakistan and India each made pricing proposals that the Turkmen government rejected. While the two countries accepted that the world market price should be considered, they sought to include it as only one element in a formula that would yield more reasonable pricing. Turkmen government officials appear to be determined to sell their gas southward at world market prices, however, and state media reported this stance on the day of the deputy ministers' meeting. This issue is likely to continue when the group meets again in July in India.

17. (SBU) A second issue complicating negotiations lies in the countries' concerns that Turkmenistan will not have enough gas to supply the TAPI pipeline, given agreements signed with Russia, Iran, and China over the past two years. It is hoped that TAPI would transport 30 bcm per year to India and Pakistan, and to a lesser extent, Afghanistan. Turkmen officials have assured project participants that they will have an adequate supply, but the group told the Turkmen they must share the audit data on Turkmenistan's natural gas reserves that a British firm completed recently. Kekilova reported the Turkmen have agreed to share the results of the audit with the technical group when it meets in September 2008.

18. (SBU) COMMENT: The negotiation process is making progress, but with small steps. Turkmenistan's pricing demands have some of the participants wringing their hands about signing the agreement, but they do not yet appear to be concerned enough to quit the project. September's meeting is likely to be more dramatic, and it will be interesting to see how much information the Turkmen are willing to share with TAPI participants about Turkmenistan's gas reserves. END COMMENT.
HOAGLAND